

DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES

Business and Financial Services Division

BUSINESS SERVICES DIVISION CONTACTS

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WHAT THE BUSINESS AND FINANCIAL SERVICES DIVISION DOES

The Business and Financial Services Division (BFSD) provides support services for the department, including financial and accounting oversight, cash management, preparation and filing of federal financial reports, purchasing supplies and equipment, payroll processing, audit coordination, lease management, mail handling, management of vital records and statistics, and property and records management. BFSD also provides leadership and guidance in the development and implementation of accounting policies and procedures and best business practices.

STATUTORY AUTHORITY FOR DEPARTMENT, DIVISION, PROGRAM

MCA Title 17, Chapter 1, part 1, MCA Chapter 2, MCA 50-15-102, MCA 53-1-401 through 414, MCA 53-21-113, 53-21-132, and 45 CFR Subtitle A, Part 92 and Subpart C92.2.

A Department reorganization in FY2006 moved the Support and Vital Records Bureau into the old Fiscal Services Division, creating the new Business and Financial Services Division.

HOW SERVICES ARE PROVIDED

The Business and Financial Services Division is organized into three bureaus, with the following functions:

Business Services Bureau

The Business Services Bureau provides leadership and guidance to the department in the development and implementation of accounting policies and procedures that are consistently applied in compliance with professional standards, state statutes, federal regulation, and legislative intent. The bureau provides leadership and guidance in the development and implementation of innovative, effective and efficient business processes that represent best practice, while considering program needs and perspectives. The bureau also processes accounts receivable for collecting and depositing agency monies received in the division, prepares and negotiates the cost allocation plan with the federal government, manages the department's monthly cost allocation process, provides audit coordination, purchases supplies and equipment, manages fixed assets, and maintains the department's chart of account codes.

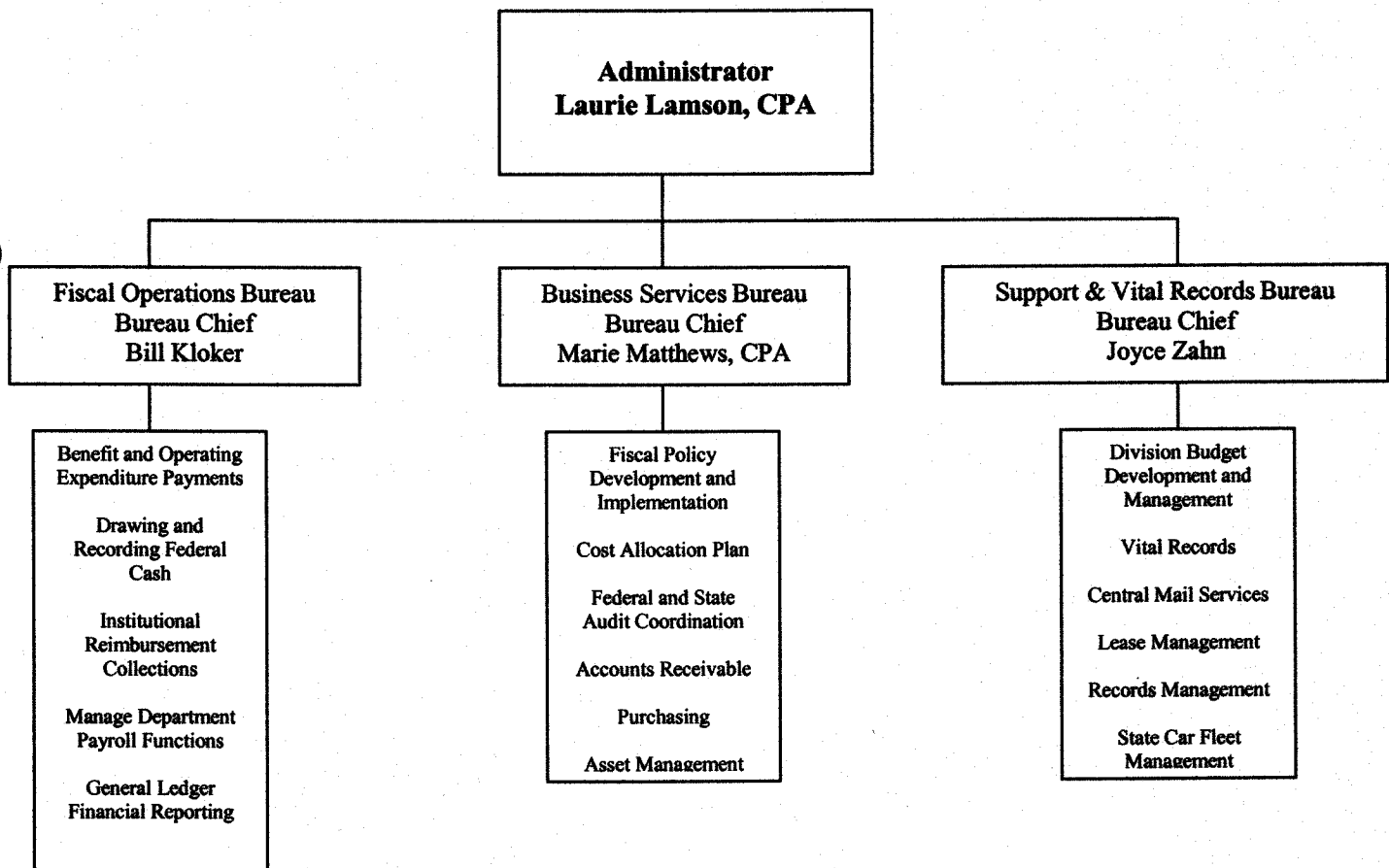
Fiscal Operations Bureau

The Fiscal Operations Bureau manages the department's fiscal processes and provides input to the state accounting system for benefit payments and operating expenditures, drawing and recording federal cash, obtaining reimbursement for services provided by the department's institutions, preparing and filing federal financial reports, and managing payroll functions for the department.

Support and Vital Records Bureau

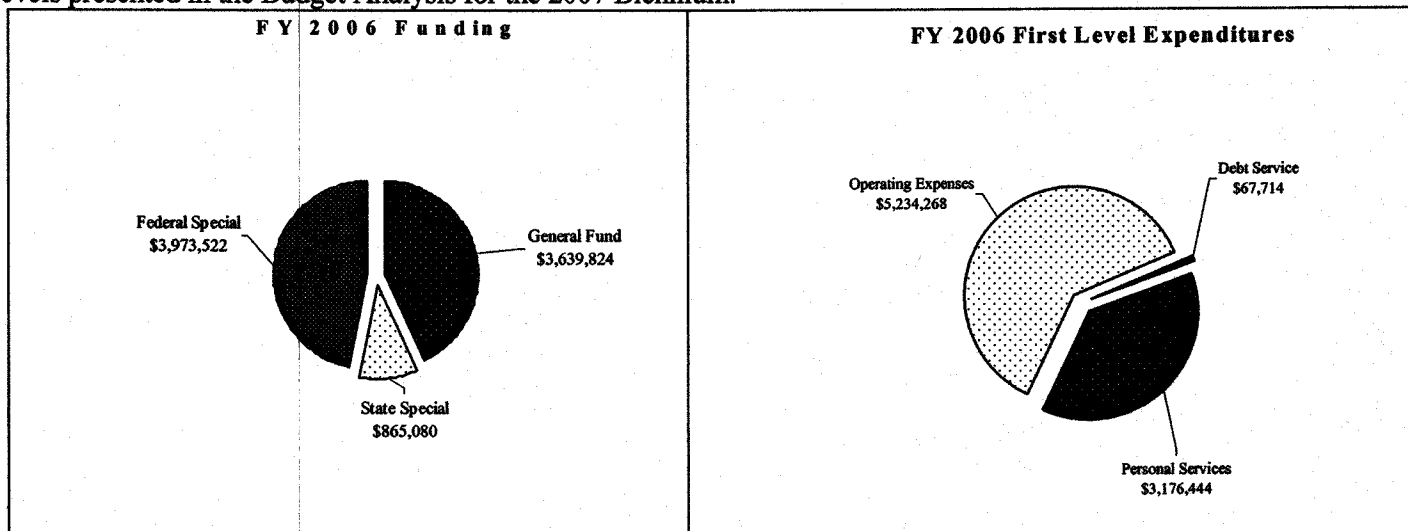
The Support and Vital Records Bureau provides division budget development and management, department internal support functions including forms and records management, state car fleet management, central mail services, and management of real property leases and coordination of the department Long Range Building process. The bureau also includes the Office of Vital Statistics, providing a complete, uniform system of accurate vital information and maintaining a permanent public record of each birth, death, and fetal death filed in Montana since 1907.

Department of Public Health and Human Services Business and Financial Services Division



SPENDING AND FUNDING INFORMATION

The following figures show funding and expenditure information for FY 2006 for all sources of funding of BFSD. Because the figures include all sources of funding there are no direct relationships between these figures and appropriation levels presented in the Budget Analysis for the 2007 Biennium.

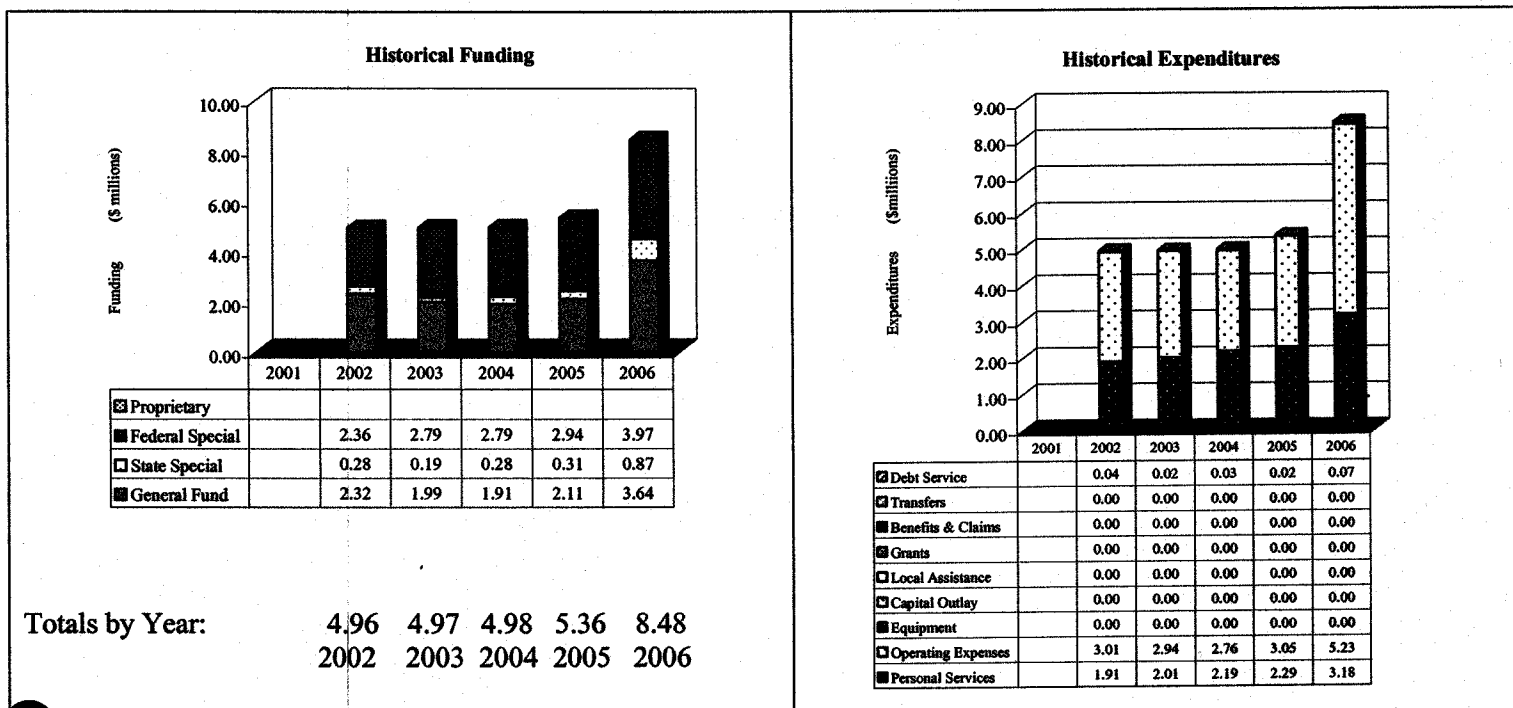


BFSD had no administrative appropriations in fiscal year 2006. Departmental indirect charges are not included as expenditures or revenues in the above tables. Total funding for BFSD in Fiscal Year 2006 amounted to \$8,478,426.

In Fiscal Year 2006, Personal Services costs were 37% of the division's budget. Fixed Costs accounted for approximately 75% of Business and Financial Services Division's Operating Expenses. Fixed Costs include SABHRS, Insurance, Warrant Writing, Legislative Audit, Capitol Complex Rent, Desktop Services, etc.

The following figures show funding and expenditures from FY 2001 through FY 2006, for HB 2 funding.

The change in expenditures from FY 2005 to FY 2006 resulted from the department reorganization moving the Support and Vital Records Bureau from the Technology Services Division to the Business and Financial Services Division.



2007 BIENNIUM NEW PROGRAM IMPLEMENTATION AND PROGRAM EXPANSION

PROGRAM EXPANSION

Business and Financial Services Division (BFSD) had no expanded programs in the 2007 biennium and no expansion proposals for the 2009 biennium.

FTE

The legislature approved no appropriations for additional FTE, above the current level 74.5 FTE in the 2007 Biennium. Business and Financial Services Division requested no additional FTE for the 2009 biennium.

CORRECTIVE ACTION PLANS

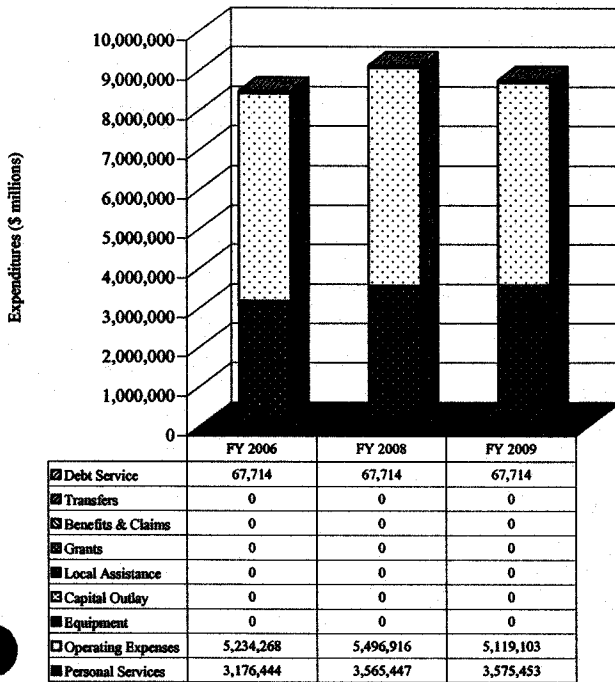
The Department received 18 recommendations during the 2004-2005 Financial Compliance Audit. The corrective action plans for 17 recommendations have been implemented and 1 is in the process. The Business and Financial Services Division is highly committed to maintaining and improving the department's financial controls.

Audit Timeframe	Opinion	Number of Recommendations; Number Implemented	Legislative Audit Report
2004-2005	Unqualified	18 17 Implemented 1 In the process Page B-76 of the LFD Analysis states "As of this writing, the corrective actions for 13 of the recommendations were complete and 5 were implemented, but not yet complete". Since the writing of the analysis all but one has been completed, as stated above.	<i>"PHHS management continued its improvement of the department's financial control structure. Centrally administered functions such as the cost allocation process, cash draws for federally funded administrative and program costs, federal financial reporting, and reconciliations of the financial subsystems to the state's accounting records functioned effectively during the audit period. This report contains no findings related to these functions. We issued an unqualified opinion on the department's financial schedules for the second consecutive audit."</i>
2002-2003	Unqualified	16 16 Implemented	<i>"PHHS management made significant progress toward improving the department's financial control structure. Control enhancements included streamlining the cost allocation process, implementing more frequent cash draws for federally funded administrative and program costs, reducing the use of inter-entity loans, performing reconciliations of financial subsystems to the states accounting records and initiating an active internal audit function."</i>
2000-2001	Qualified	24 24 Implemented	

2009 BIENNIUM BUDGET

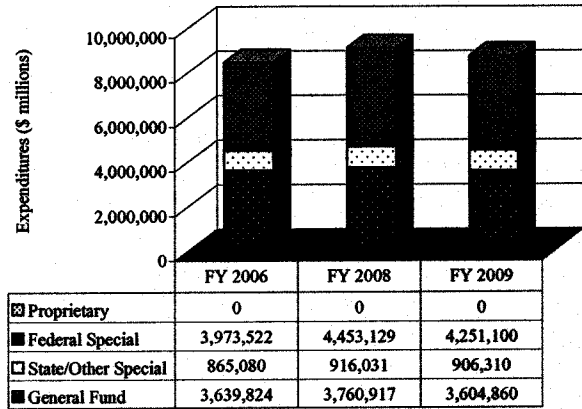
The following figures show the proposed HB 2 budget for the 2009 biennium.

**Business and Financial Services Division
2009 Biennium HB2 Budget**



Totals by Year: \$8,478,426 \$9,130,077 \$8,762,270

**Business and Financial Services Division
2009 Biennium HB2 Budget**



Totals by Year: \$8,478,426 \$9,130,077 \$8,762,270

The 2009 Biennium changes from the Fiscal Year 2006 base are the result of Statewide Present Law Adjustments, including: annualizing personal services, inflation and deflation adjustments, and fixed costs adjustments.

GOALS AND MEASURABLE OBJECTIVES

Business and Financial Services Division (BFSD) analyzes business products, services and processes throughout the year. Improvements are made continuously in response to the needs of the customer, direction from state and federal oversight bodies, and internal reviews. Since 2002, BFSD has increased automation of business processes as evolving technology and the agency budget allow, and has increased internet access opportunities for our customers. BFSD involves division staff in designing and implementing business process improvements, and maintains an energetic and positive work atmosphere. The following graphs depict business process analysis and display the results of ongoing improvements for BFSD goals and selected measurable objectives.

The following shows the department base year and budgeted biennium goals and performance measures that are associated with the proposed 2009 biennium HB 2 budget.

BFSD goals are:

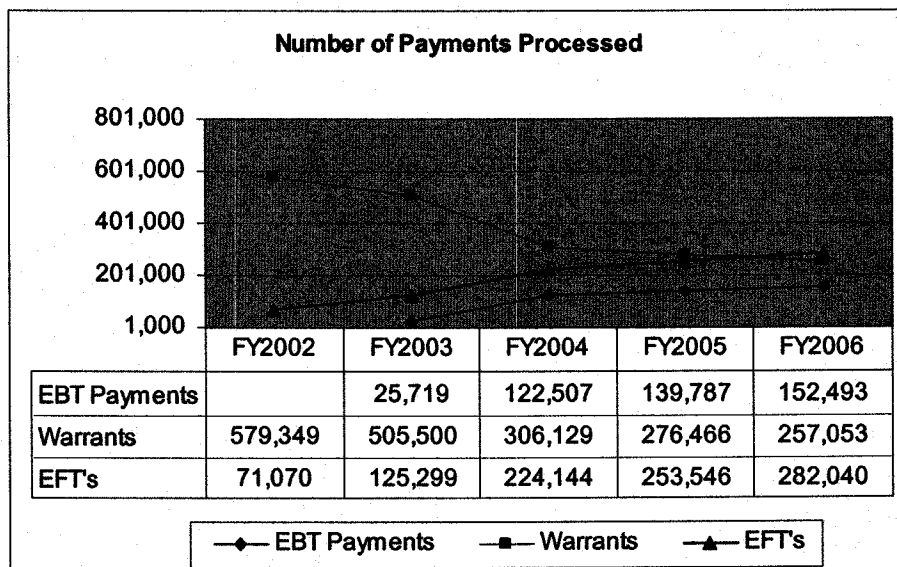
- Provide professional and timely products and/or services in response to the needs of the customer.
- Continually work to improve the business processes used within the division.
- Maintain a positive and rewarding working environment.

**Department of Public Health and Human Services
Business and Financial Services Division**

Measurable Objectives for the 2009 Biennium

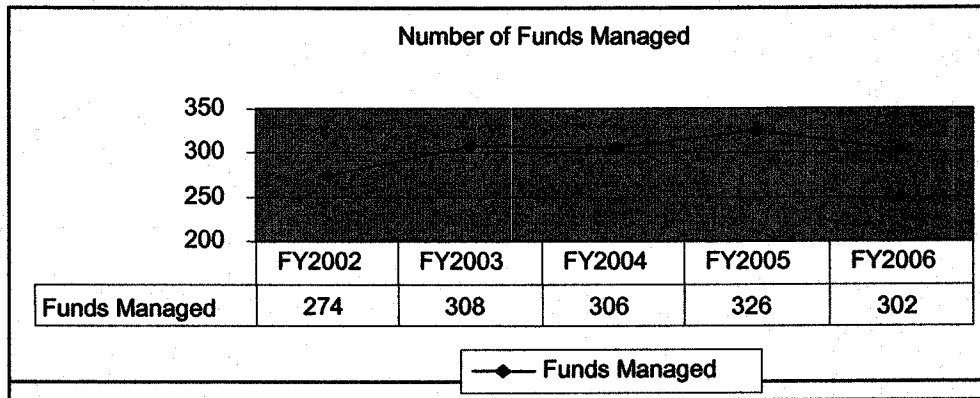
Goal	Measurable Objective 1: Financial Management Processes	Current status of Measures
Continually work to improve the business processes used within the division.	Support the department's financial management processes and operate division's accounting systems according to GAAP and federal and state requirements to achieve audit reports with unqualified opinions for Fiscal Year 2006/2007 issued in November 2007 and for Fiscal Year 2008/2009 issued in November 2009	The Department has received unqualified Financial Compliance Audits from the Legislative Auditor's Office for the last two biennial audits (2002/2003 and 2004/2005). The division will continue to place a high priority on reviewing and addressing state and federal audit recommendations with impacts on financial information and / or controls.

Goal	Measurable Objective 2: Number of Payments Processed	Current status of Measures
Provide professional and timely products and or services in response to the needs of the customer.	Maximize use of electronic means (EFT and EBT) to make payments to vendors, clients and employees by issuing a greater proportion electronically each year of the 2009 biennium. The goal for FY2008 – 2009 is to issue a combination of 540,000 warrants and EFT payments per year, with a growth rate of 5% for the biennium in electronic means. (Please refer to the graph below.)	EBT was implemented in 2002 as an electronic client benefits-payment system. Since 2002, the proportion of payments has been increasingly by electronic means. BFSD will review payment business processes in the 2009 biennium to continue migrating to electronic payment means.



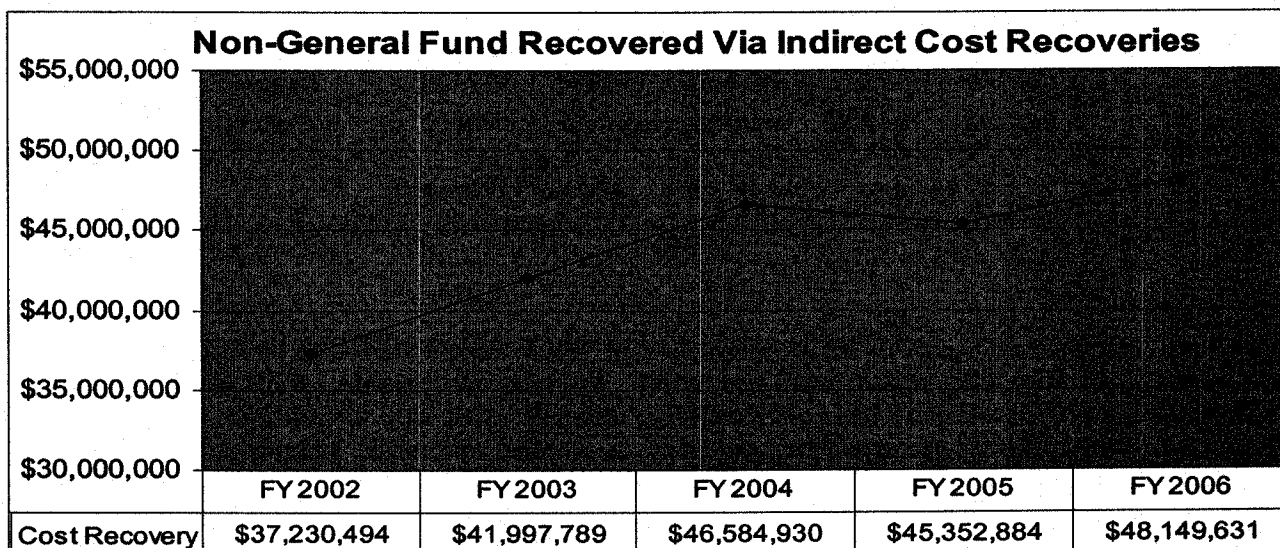
EBT (Electronic Benefit Transfers) include TANF benefit payments, Food Stamps benefits, and Child Support payments to custodial parents via the Montana Access Card. TANF and Food Stamps EBT were implemented Oct 2002; Child Support EBT was implemented May 2003. Warrants and Electronic Fund Transfers (EFT's and direct deposits) are used to make payments to vendors, clients, and employees. The above graph does not include payroll payments.

Goal	Measurable Objective 3: Number of Funds Managed	Current status of Measures
Provide professional and timely products and or services in response to the needs of the customer.	Operate in compliance with funding source, agency, and state and federal requirements to monitor, analyze, reconcile, report and manage cash for all department funds in an accurate and timely manner. Compliance is measured by audit reports for FY 2006/2007 and 2008/2009 with no material findings of non-compliance for reporting and cash management.	The present budget request represents sufficient means to retain qualified accounting staff sufficient to maintain the department's unqualified audit opinion and effective cash management, financial, and reporting processes. The number of funds managed increases complexity of work and is an indicator of risk.



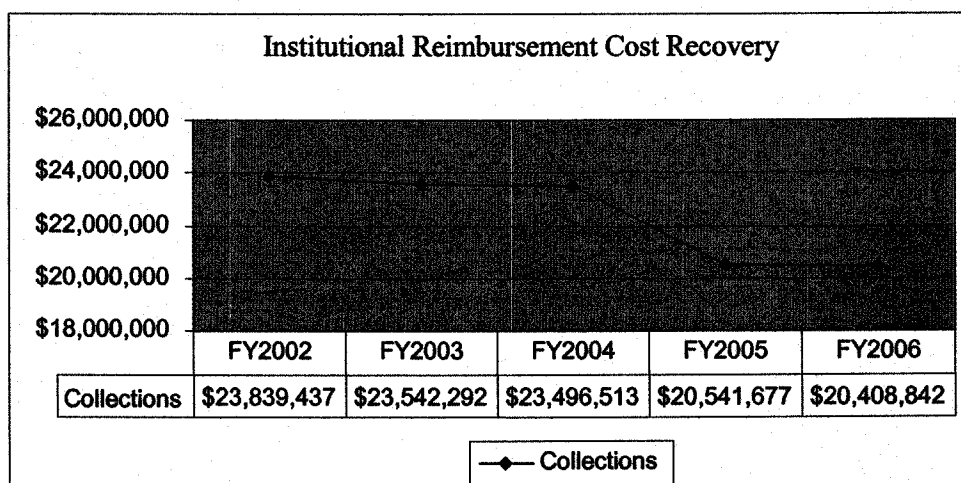
Business and Financial Services Division accountants manage federal special revenue, state special revenue, debt service and permanent funds.

Goal	Measurable Objective 4: Non-General Funds Recovered	Current status of Measures
Continually work to improve the business processes used within the division.	Accurately and efficiently draw and report funds in accordance with the federal Cash Management Improvement Act and general cash management principles and timeframes to maximize non-general fund recovery. The goal for non-general fund cost recovery for FY08 is \$51 million and for FY09 is \$52 million.	Continue to manage the cost allocation processes in a manner that maximizes appropriate non-general fund recoveries in the most timely manner. The department's two most recent audit reports had unqualified opinions and noted effective functioning of the cost allocation process.



Non-General fund recovery is any department indirect cost that is recovered from a state special or federal special fund that is submitted through the cost allocation fund (Cost Allocation Plan).

Goal	Measurable Objective 5: Institutional Reimbursement Cost Recovery	Current status of Measures
Continually work to improve the business processes used within the division.	Seek maximum annual cost recovery for DPHHS's five institutions by conducting timely financial assessments for 100% of residents, billing responsible parties, and collecting funds due from all available sources in order to minimize dependency on tax revenues. Goals for collections in Fiscal Years 2008 and 2009 are \$19 million per year.	The division is conducting a business process review to identify billing and recordkeeping efficiencies, and has proposed an improvement in the billing and payment process for forensic patients through Senate Bill 124. The division has proposed Senate Bill 90 to tie projected institutional costs more closely with amounts being billed to responsible parties. A business process review is being conducted to identify further areas of efficiencies, including payment responsibilities for precommitment services at institutions, financial statement processing to determine a patient's ability to pay, and enhancement of the Management Information and Cost Recovery System (MICRS) automated data system. Workload increases of about 30% for two financial investigator staff since FY2005 are primarily due to statutory changes in the 59 th legislative session including financial assessment of forensic patients for their ability to pay for institution services, and of civil detentions at facilities.



Collections are payments received from patients, insurance companies, Medicare, and Medicaid for services provided by DPHHS institutions. Collections for each institution vary annually due to number of billable days, per diem charge assessed, resident ability to pay, coverage by insurance, eligibility and allowable costs for Medicaid and Medicare, and whether accounts are collectible. Closure of the Eastmont Human Services Center and a decrease in billable days at Montana Developmental Center in Boulder caused a substantial decrease in collections from FY2004 to FY2005.

Goal	Measurable Objective 7: Manage contracts for services with governmental agencies	Current status of Measures
Provide professional and timely products and or services in response to the needs of the customer.	Meet or exceed all performance criteria established in the Office of Vital Statistics (OVS) contract to supply birth and death data exports to the National Center of Health Statistics (NCHS). Birth and death data exports are due to the NCHS based on a percentage established in the contract.	For calendar year 2006, 88% of the birth data exports and 80% of the death data exports were due to NCHS on December 31, 2006. The Office of Vital Statistics has met and exceeded all performance criteria in the data export contract for calendar year 2006. The Office of Vital Statistics has met or exceeded all export performance criteria in the contract for the last several calendar years and continues to be one of the top reporting jurisdictions.

BUDGET AND POLICY ISSUES

The division has significantly improved business processes since the 2001 legislature included the following statement in HB 2:

"The department shall make every effort to achieve an unqualified opinion in the financial compliance audit issued by the Legislative Audit Division for the two years ending June 30, 2004. The legislature expects the department to take action to ensure that this achievement occurs, including exempting the fiscal bureau from vacancy savings requirements, exempting the fiscal bureau from reductions in staffing, establishing clear and appropriate fiscal policies and processes, and any other management actions that may reasonably be expected to result in the achievement of an unqualified audit opinion."

The department achieved an unqualified audit opinion in each of the financial compliance audits issued for fiscal years 2002/2003 and 2004/2005. (Please refer to the section entitled "Corrective Action Plans" on page 4 of this document for the statements included in the Legislative Audit Division's reports for the two audits.)

Actions taken by the department and division to achieve this result include:

- Restructuring the department by creating the Fiscal Services Division and:
 - creating a Fiscal Policy Advisor position as liaison to the other divisions; and
 - creating a Fiscal Bureau for payments, fund management, financial reporting, cash management, payroll, purchasing and institutional reimbursement.
- During 2006, further restructuring the division as the Business and Financial Services Division by:
 - creating the Business Services Bureau to strengthen fiscal policy support and financial analysis;
 - providing liaison to divisions to resolve audit findings and assist with business process improvements;
 - moving the Support and Vital Statistics Bureau from Technology Services Division to Business and Financial Services Division, thereby creating capacity for centralized services functions within the division;
 - reorganizing budgeting, accounts receivable, inventory control and purchasing processes within the new division structure; and
 - continuing to evaluate business processes, focusing on increasing effectiveness, efficiency, and capacity within existing resources.

SIGNIFICANT ISSUES EXPANDED

Institutional Reimbursement

The division plans to continue business process review activities in the Institutional Reimbursement Section. Recent policy and statutory changes have added workload for financial investigators who determine the ability of institutional residents to pay for the cost of their care. For example, financial investigations are now required for forensic patients, patients who are on detention at the institution (known as "precommitment" services), and tribal members covered by Indian Health Services. As part of the business process review, the division identified inefficiency in the forensic billing process and recommends passage of Senate Bill 124 to simplify the process. A change in the rate-setting process is recommended in Senate Bill 90. The division also is working with Indian Health Services to agree on a new process for billing IHS for the costs of tribal members covered by IHS, so all Montanans are treated consistently for payment purposes.

Division Reorganization, Budget and Personal Services

Since 2001, the department and division have taken substantial measures to improve the department's financial management and internal control structure. Formation and subsequent reorganization of the division (as discussed in the section on page 9, Budget and Policy Issues) has been the method for achieving an unqualified audit report by the Fiscal Year 2002/2003 report, and again for the Fiscal Year 2004/2005 report. Division reorganization has been accomplished by completing business process reviews of significant duties, identifying and implementing improvements in the department's internal control structure, improving financial management and accounting systems, and assigning responsibilities to a qualified, well-trained staff. No FTE were added in the 2007 biennium, and the division requested no new FTE in the 2009 biennium.

PERSONAL SERVICES QUESTIONS – 2007 SESSION

1. Has the agency implemented a broad band pay plan, agency-wide or for selected jobs? If so, when was it implemented and what were the estimated cost increases in the year of implementation? How were these costs funded (by holding vacant positions open, appropriations for other purposes that were unexpended, etc)?

BFSD has moved four positions from Pay Plan 60 to Pay Plan 20, and plans to move the remaining positions by July 2007. To date, there have been no cost increases relative to Pay Plan 20.

2. At what percentage of market are new employees paid?

Under Pay Plan 60, new employees are typically paid at the entry level for that job description, approximately 80% to 85% of market.

How do employees progress to the market rate for their position?

The division has not established a plan to advance employees to the market rate for their position. The Department policy is that employees can progress to the market rate by: Statutory pay increases, successful completion of a training assignment, retention pay exception (in pay plan 60), market adjustment (in pay plan 20), competence or performance pay adjustment (in pay plan 20).

What is the agency's target percent of market?

The agency would like to see all employees move eventually to 100% of market to provide us with a greater opportunity to retain staff. When employees are moved to pay plan 20, our practice has been to ensure all employees are paid at least at entry.

What is the agency average percent of market in FY 2006?

The average percent of market for BFSD employees in FY2006 was approximately 96%.

3. Did the agency have vacant positions for a significant portion (6 months or more) of FY 2006? If yes, how many and why were these vacant? How did the vacancies impact agency operations?

During SFY 2006 BFSD had one position vacant for 6 months or more. This position was held open to help achieve vacancy savings for the division. It was necessary to adjust the priorities of the work unit as a result of this vacancy.

4. Did the agency have authorized pay exceptions for pay plan 60 positions? If yes, why?

No, the division authorized no pay plan 60 pay exceptions in FY2006.

5. Did the agency have authorized position upgrades or downgrades for pay plan 60 positions? If yes, why?
Yes, BFSD had two position upgrades in FY2006 to reflect increased complexity in assigned job duties.
6. What challenges does the agency face in recruiting and retaining staff? What actions has the agency taken to address recruitment and retention issues? Is the agency competing with other state agencies or the public sector for staff?
BFSD is very concerned about recruitment and retention issues and faces turn-over at higher rates in some positions. BFSD is addressing the problem by creating structural incentives, including career ladders, flexible schedules, staff training and cross-training. However the division is in competition with other state agencies that pay higher wages for comparable accounting positions and we may consider pay exceptions as well.
7. Are agency staff members represented by collective bargaining units? How many of the agency staff are impacted by collective bargaining unit agreements? What provisions are included in bargaining unit agreements? How often are these agreements negotiated?
BFSD has 47.5 positions represented by a collective bargaining unit, MEA/MFT. The provisions typically included in bargaining unit agreements are union and management rights, non-discrimination, labor management committees, pay and hours, insurance, overtime and compensatory time, the various leaves, workers compensation, grievances and arbitration, employee rights, job postings, health and safety, use of private automobiles, retirement, payroll deductions, no strike/no lockout, term of the agreement, and pay schedules. Agreements are typically negotiated for a two-year period.